

Commonwealth of Massachusetts  
Department of Telecommunications and Energy

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Default Service Procurement	)	D.T.E. 04-115
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**Reply Comments of  
Constellation NewEnergy, Inc. and  
Constellation Energy Commodities Group, Inc.**

**I. INTRODUCTION**

Constellation NewEnergy, Inc. (“CNE”) and Constellation Energy Commodities Group, Inc. (“CCG”) (collectively “Constellation”) submit these Reply Comments in response to the request of the Department of Telecommunications and Energy (the “Department”) for reply comments following the June 20, 2005 technical conference. As the Department requested, Constellation will not restate its initial comments here, and has limited these Reply Comments to the topic of long-term contracts with renewable resources.

CNE is a licensed retail supplier in 17 states, including Massachusetts, and two Canadian provinces. CNE currently provides over 15,000 MW of electrical supply directly to businesses throughout the country for their own use, including many customers Massachusetts. CCG is a wholesale supplier of electric power to many of New England’s electric utilities in connection with either their standard offer or default service obligations. CCG is a regular participant in basic service power supply solicitations in Massachusetts and is from time to time a successful bidder. Both companies are subsidiaries of Constellation Energy Group, Inc., a Fortune 200 company headquartered

in Baltimore, Maryland which also owns Baltimore Gas and Electric Company, a regulated utility.

**II. IT IS NEITHER NECESSARY NOR APPROPRIATE TO INCLUDE LONG-TERM CONTRACTS FOR RENEWABLE RESOURCES AS A COMPONENT OF BASIC SERVICE PROCUREMENTS.**

Proponents of including long-term contracts for renewable resources as a component of basic service procurements suggest that this is necessary in order for the Commonwealth to meet the requirements of the Renewable Portfolio Standard (“RPS”).

However, Commissioner O’Connor of the Division of Energy Resources (“DOER”), the agency responsible for administering the RPS, explained at the technical conference that “the renewable portfolio standard is working and is working well.” (Tr. 126) According to DOER’s analysis, the Commonwealth is likely to meet the RPS requirements by the end of the decade without including long-term contracts for renewables in basic service. (Tr. 126 – 127) Accordingly, DOER believes that such contracts are “not warranted” at this time. (Tr. 128)

Basic service providers are not the only potential source of long-term contracts for renewable resources. Competitive retail suppliers have their own RPS obligations and are starting to enter long-term contracts with renewable resource developers in order to meet those obligations. For example, as Constellation testified at the technical conference, CNE has entered into two long-term contracts with developers of renewable resources and is in negotiation with many others. As competitive retail suppliers grow and mature, their RPS obligation and interest in entering into long-term contracts will increase.

It is not only unnecessary for utility basic service providers to enter into long-term contracts, it is also inappropriate. Most importantly, long-term contracts create the risk of

another round of utility stranded costs. It is for this reason that most of the parties at the technical conference opposed requiring long-term contracts as part of basic service. See, e.g., Testimony of the Associated Industries of Massachusetts (“There aren’t strong enough words in the English language to describe how vehemently we oppose forcing utilities into long-term contracts.”) (Tr. 173)

### **III. CONCLUSION**

For the foregoing reasons, Constellation urges the Department not to require long-term contracts with renewable resources as a component of basic service procurements.

Respectfully submitted,

CONSTELLATION NEWENERGY, INC.

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Date: July 22, 2005